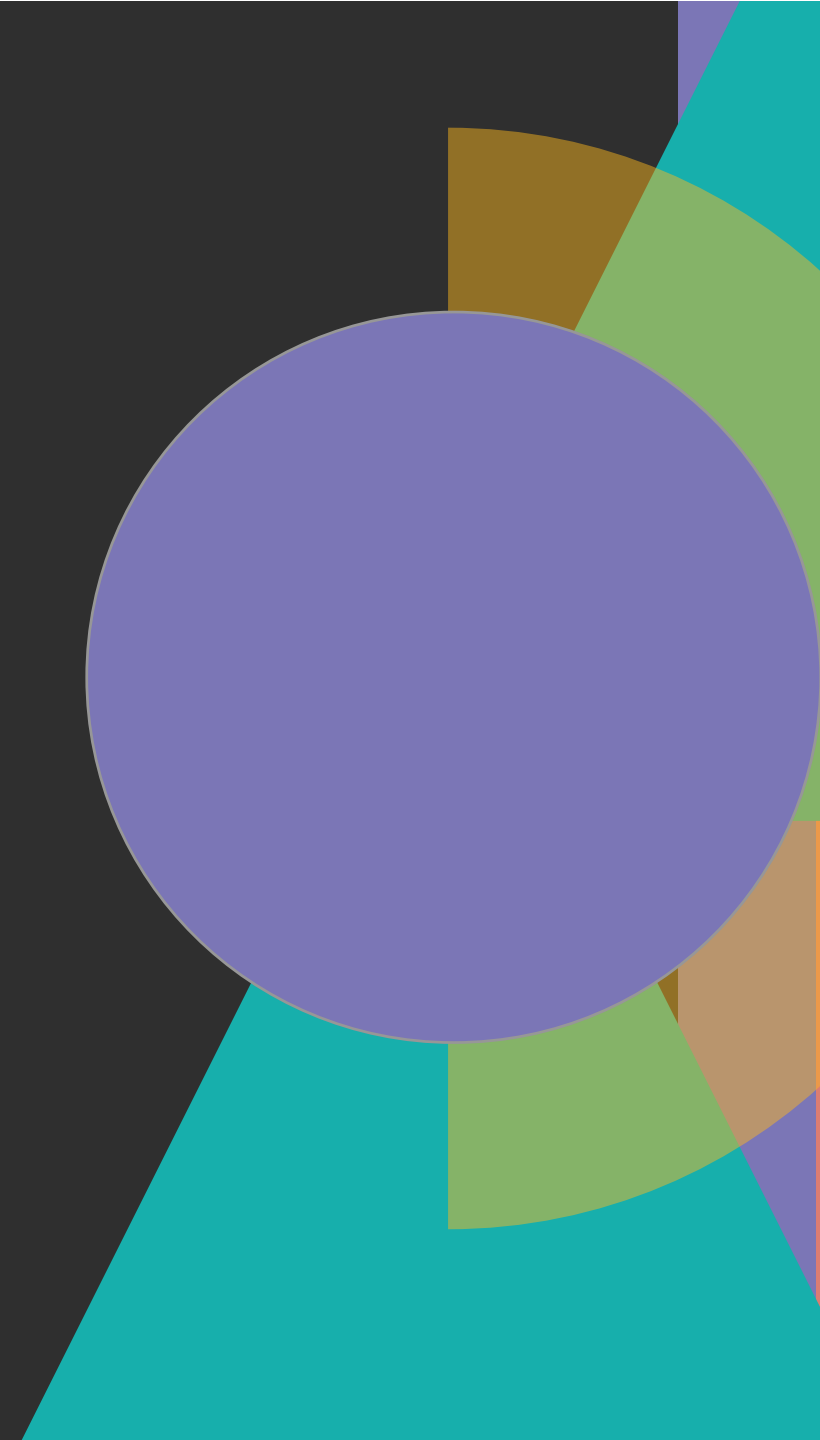




Multi-Asset Solutions July Quarterly Update

11 July 2024



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Agenda

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Introduction

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Performance
Review

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Blending active and
passive in MPS

4

Alternatives and
diversification

5

Q&A

Speakers

- Paul Parascandalo, Portfolio Manager, M&G Treasury and Investment Office
- Alastair Clark, Portfolio Manager, M&G Wealth

Learning Objectives

By the end of this session, you will be able to:

Describe how financial markets have performed in H1 2024 and key areas to monitor for the rest of the year

Explain key factors that should be considered when deciding to use an active fund or a passive fund for different asset classes

Identify the key types of alternative asset classes and explain how their risk/return characteristics differ from traditional bonds and equities

Performance Review



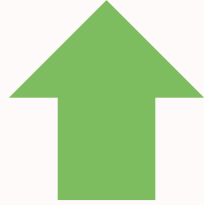
Asset class returns, year-to-date



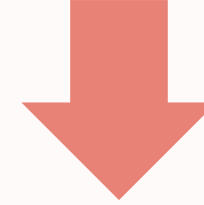
Source: M&G Wealth Investments LLP, Morningstar Direct 30th June 2024.

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Key Performance Drivers



- Within equities, the strategies benefited from having more in India, Emerging Markets and Asia exposure
- High yield was the best performer within fixed income



- Having less in gilts was a positive but having more in US investment grade and Emerging Market local currency was a detractor.
- While listed infrastructure performed better, property REIT shares continue to be weak within alternatives.

Overall, performance vs benchmark was driven by the equity weight compared to the benchmark as equities significantly outperformed bonds.

Model Portfolio Performance – Passive

- Relative performance in Q2 was driven by the equity weight of the models as equities strongly outperformed bonds.
- Within equities having more in India, EM and Asia was a positive for the models.
- Fixed income performance was mixed with weaker performance from government and corporate bonds. This was counterbalanced by good performance from emerging market bonds and high yield bonds.
- Over longer-term periods performance remains strong.

	3m (%)	6m (%)	1yr (%)	3yr (ann) (%)	5yr (ann) (%)
MPS Passive 1	0.50	1.35	7.44	0.38	1.83
Sector: IA Mixed Investment 0-35% Shares	0.64	2.15	7.61	-0.82	1.09
MPS Passive 2	0.93	2.79	9.00	1.79	3.23
Sector: IA Mixed Investment 20-60% Shares	1.15	3.66	9.39	0.94	2.87
MPS Passive 3	1.25	3.78	10.05	2.91	4.53
Sector: IA Mixed Investment 20-60% Shares	1.15	3.66	9.39	0.94	2.87
MPS Passive 4	1.92	5.87	12.34	4.42	5.67
Sector: IA Mixed Investment 40 - 85% Shares	1.68	5.92	11.82	2.34	4.66
MPS Passive 5	2.26	6.86	13.38	5.13	5.92
Sector: IA Mixed Investment 40 - 85% Shares	1.68	5.92	11.82	2.34	4.66

The value of investments will fluctuate, which will cause values to fall as well as rise and investors may not get back the original amount invested. The figures refer to the past and past performance is not a reliable indicator of future results. The performance figures are calculated in FE Analytics based on a standard model and may not reflect the performance of individual customer portfolios. The calculation includes all underlying fund charges. The investment management, platform, wrapper and advice fees are excluded. The IA Sector indices include the underlying fund costs and investment management fees. Platform and advice fees are not included.

Source: FE Analytics, M&G Wealth Investments LLP, 30th June 2024.

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Model Portfolio Performance - Hybrid

	3m (%)	6m (%)	1yr (%)	3yr (ann) (%)	5yr (ann) (%)
MPS Hybrid 1	0.57	1.48	7.66	0.47	1.73
Sector: IA Mixed Investment 0-35% Shares	0.64	2.15	7.61	-0.82	1.09
MPS Hybrid 2	1.04	2.95	9.15	1.72	3.14
Sector: IA Mixed Investment 20-60% Shares	1.15	3.66	9.39	0.94	2.87
MPS Hybrid 3	1.31	3.82	9.90	2.46	4.32
Sector: IA Mixed Investment 20-60% Shares	1.15	3.66	9.39	0.94	2.87
MPS Hybrid 4	2.00	5.85	11.63	3.25	5.32
Sector: IA Mixed Investment 40 - 85% Shares	1.68	5.92	11.82	2.34	4.66
MPS Hybrid 5	2.42	6.95	12.31	3.40	5.49
Sector: IA Mixed Investment 40 - 85% Shares	1.68	5.92	11.82	2.34	4.66

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Source: FE Analytics, M&G Wealth Investments LLP, 30th June 2024.

Model Portfolio Performance – Global ESG Themes

- The concentration of returns in the US market continues to be a headwind. The thematic equity funds in the models have a bias to mid-sized and smaller companies where returns have lagged the mega-cap companies. Returns for the healthcare sector have also lagged the market and this sector features heavily in the models.

	3m (%)	6m (%)	1yr (%)	3yr (ann) (%)	5yr (ann) (%)
MPS GESGT 1	0.32	1.60	7.39		
Sector: IA Mixed Investment 0-35% Shares	0.64	2.15	7.61		
MPS GESGT 2	0.53	2.69	8.36		
Sector: IA Mixed Investment 20-60% Shares	1.15	3.66	9.39		
MPS GESGT 3	0.65	3.30	8.84		
Sector: IA Mixed Investment 20-60% Shares	1.15	3.66	9.39		
MPS GESGT 4	0.84	4.01	9.34		
Sector: IA Mixed Investment 40-85% Shares	1.68	5.92	11.82		
MPS GESGT 5	0.99	4.72	9.86		
Sector: IA Mixed Investment 40-85% Shares	1.68	5.92	11.82		

The value of investments will fluctuate, which will cause values to fall as well as rise and investors may not get back the original amount invested. The figures refer to the past and past performance is not a reliable indicator of future results. The performance figures are calculated in FE Analytics based on a standard model and may not reflect the performance of individual customer portfolios. The calculation includes all underlying fund charges. The investment management, platform, wrapper and advice fees are excluded. The IA Sector indices include the underlying fund costs and investment management fees. Platform and advice fees are not included.

Source: FE Analytics, M&G Wealth Investments LLP, 30th June 2024.

Risk Managed Passive Performance

- Returns were close to benchmark in Q2, within having more in Asia equities being a positive. However, having more in real assets (where returns were lower in Q2) was an offset.
- Over the medium term (3-5 years):
 - Having more in UK, Asia and emerging market equities has resulted in underperformance vs. peers.
 - Lower risk models have performed well, due to having more in Emerging Market and high yield bonds which outperformed global bonds.

	3m	6m	1yr	3yr	5yr	10yr
LF Prudential Risk Managed Passive 1 P Acc in GB	0.64	1.66	8.52	-0.84	1.39	3.18
Sector : IA Mixed Investment 0 - 35% Shares TR in GB	0.63	2.14	7.59	-0.83	1.09	2.47
LF Prudential Risk Managed Passive 2 P Acc in GB	0.90	2.19	8.78	-0.24	2.01	
Sector : IA Mixed Investment 20 - 60% Shares TR in GB	1.14	3.65	9.38	0.93	2.87	
LF Prudential Risk Managed Passive 3 P Acc in GB	1.31	3.23	9.80	0.85	3.02	4.57
Sector : IA Mixed Investment 20 - 60% Shares TR in GB	1.14	3.65	9.38	0.93	2.87	3.81
LF Prudential Risk Managed Passive 4 P Acc in GB	1.63	4.20	10.64	1.95	4.08	
Sector : IA Mixed Investment 40 - 85% Shares TR in GB	1.67	5.91	11.82	2.34	4.66	
LF Prudential Risk Managed Passive 5 P Acc in GB	2.00	5.27	11.69	3.19	5.20	
Sector : IA Flexible Investment TR in GB	1.71	6.27	11.78	2.37	5.15	

Source: FE Analytics (bid to bid), M&G Treasury and Investment Office (MAPM), 30th June 2024.

The table shows the annualised performance of each fund in the LF Prudential Risk Managed Passive range versus its relevant IA sector average. Outperformance for the fund is indicated by the green boxes.

Risk Managed Active Performance

	3m	6m	1yr	3yr	5yr	10yr
LF Prudential Risk Managed Active 1 P Acc in GB	0.43	1.16	7.60	-0.98	1.54	3.12
Sector : IA Mixed Investment 0 - 35% Shares TR in GB	0.63	2.14	7.59	-0.83	1.09	2.47
LF Prudential Risk Managed Active 2 P Acc in GB	1.18	1.77	7.83	-0.56	2.00	3.53
Sector : IA Mixed Investment 20 - 60% Shares TR in GB	1.14	3.65	9.38	0.93	2.87	3.81
LF Prudential Risk Managed Active 3 P Acc in GB	1.25	2.87	8.46	0.22	2.62	4.10
Sector : IA Mixed Investment 20 - 60% Shares TR in GB	1.14	3.65	9.38	0.93	2.87	3.81
LF Prudential Risk Managed Active 4 P Acc in GB	1.57	3.29	9.38	1.20	3.36	4.89
Sector : IA Mixed Investment 40 - 85% Shares TR in GB	1.67	5.91	11.82	2.34	4.66	5.54
LF Prudential Risk Managed Active 5 P Acc in GB	1.89	4.06	10.31	2.22	3.99	5.47
Sector : IA Flexible Investment TR in GB	1.71	6.27	11.78	2.37	5.15	5.86

Source: FE Analytics (bid to bid), M&G Treasury and Investment Office (MAPM), 28th March 2024.

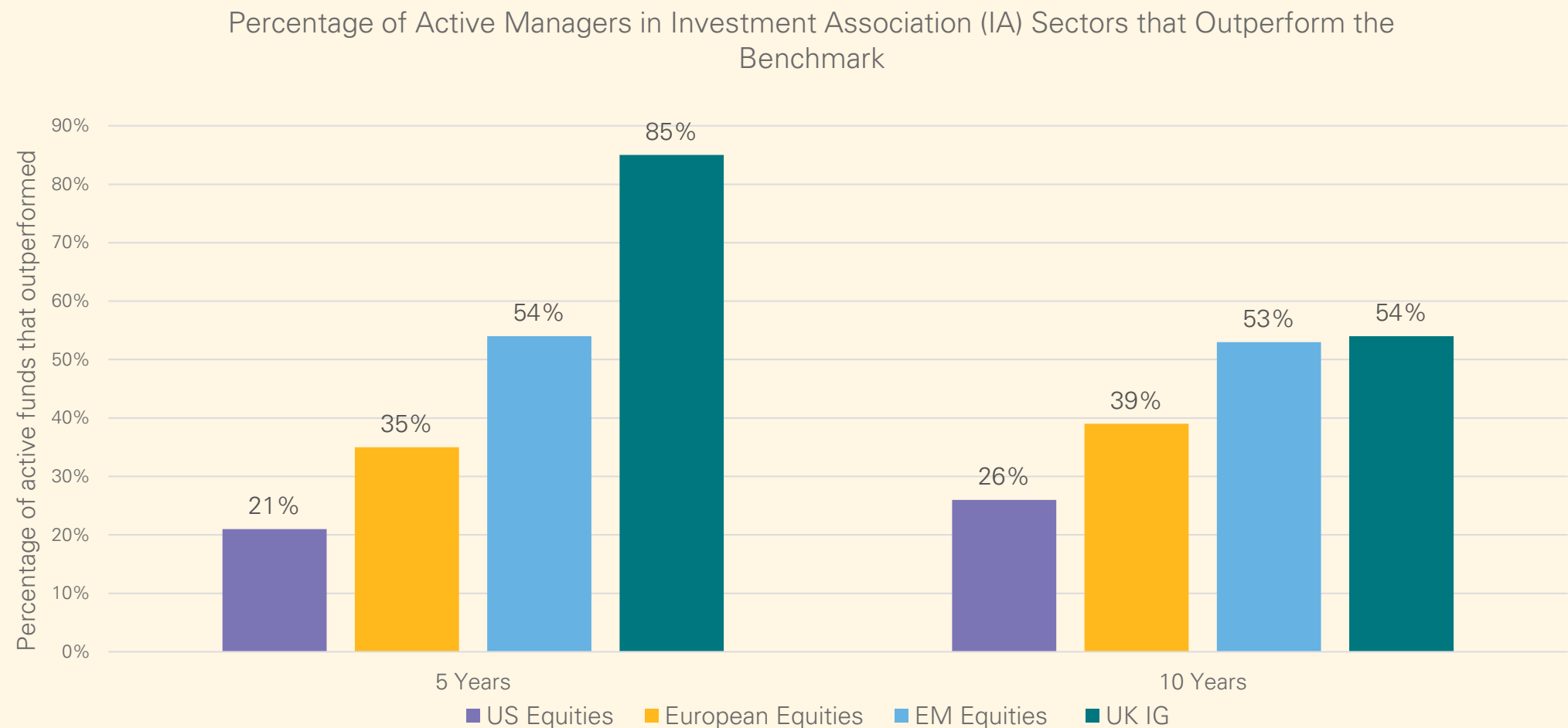
The table shows the annualised performance of each fund in the LF Prudential Risk Managed Active range versus its relevant IA sector average. Outperformance for the fund is indicated by the green boxes.

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The background features a series of parallel diagonal lines on the left side, transitioning into a series of overlapping geometric shapes on the right. These shapes include a large yellow triangle, a smaller olive green triangle, a red triangle, and a dark brown triangle, all arranged in a way that suggests a layered or blended effect.

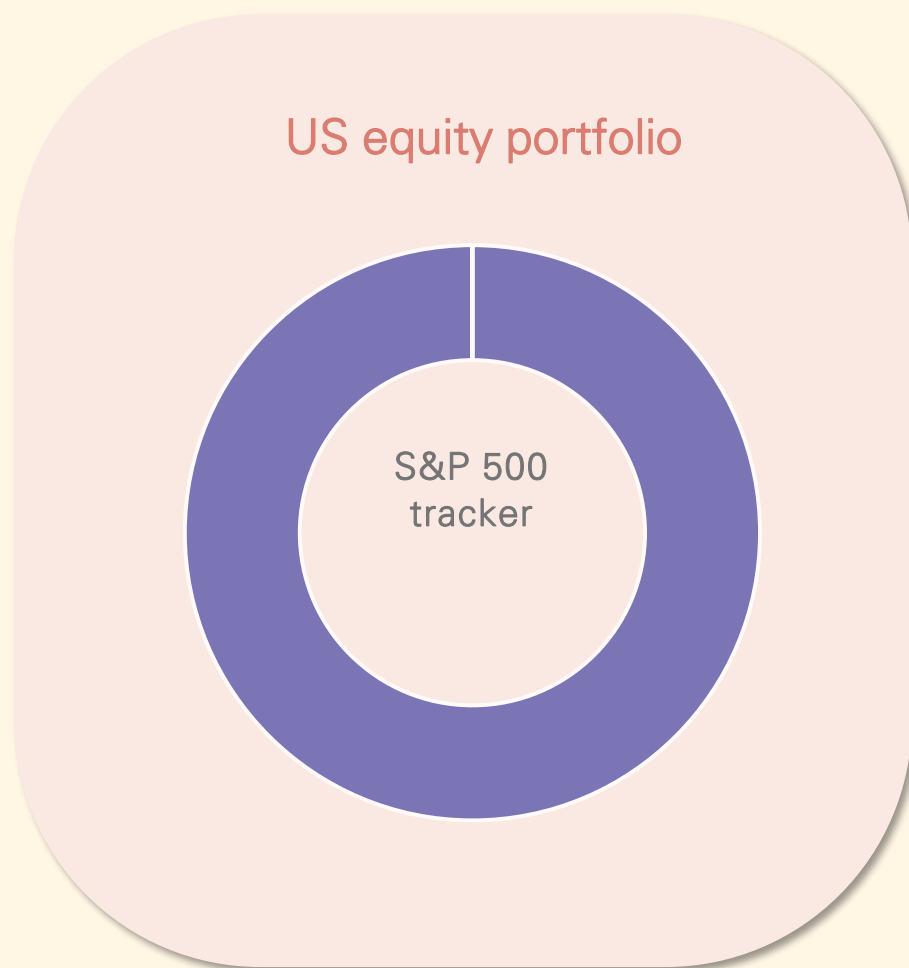
Best of Both: Blending Active and Passive

The potential for active to outperform across asset-classes



Source: FE Analytics, M&G Wealth Investments, 26/06/224. Data to 31/05/24. Past performance is not a reliable indicator of future returns.
The chart shows the percentage of funds in each IA sector that have outperformed a selected benchmark. Only main fund unit share classes were used in the calculations. Total return figures are presented in GBP.
The benchmarks for each asset class are as follows: S&P 500 Index for US Equities, FTSE World Europe ex UK Index for European Equities, MSCI Emerging Markets Index for EM Equities and iBoxx Sterling Non-Gilts Index for UK IG.

How we think about US equities



Alpha opportunity after fees < 1%



Majority of managers underperform



Rise of passive investments



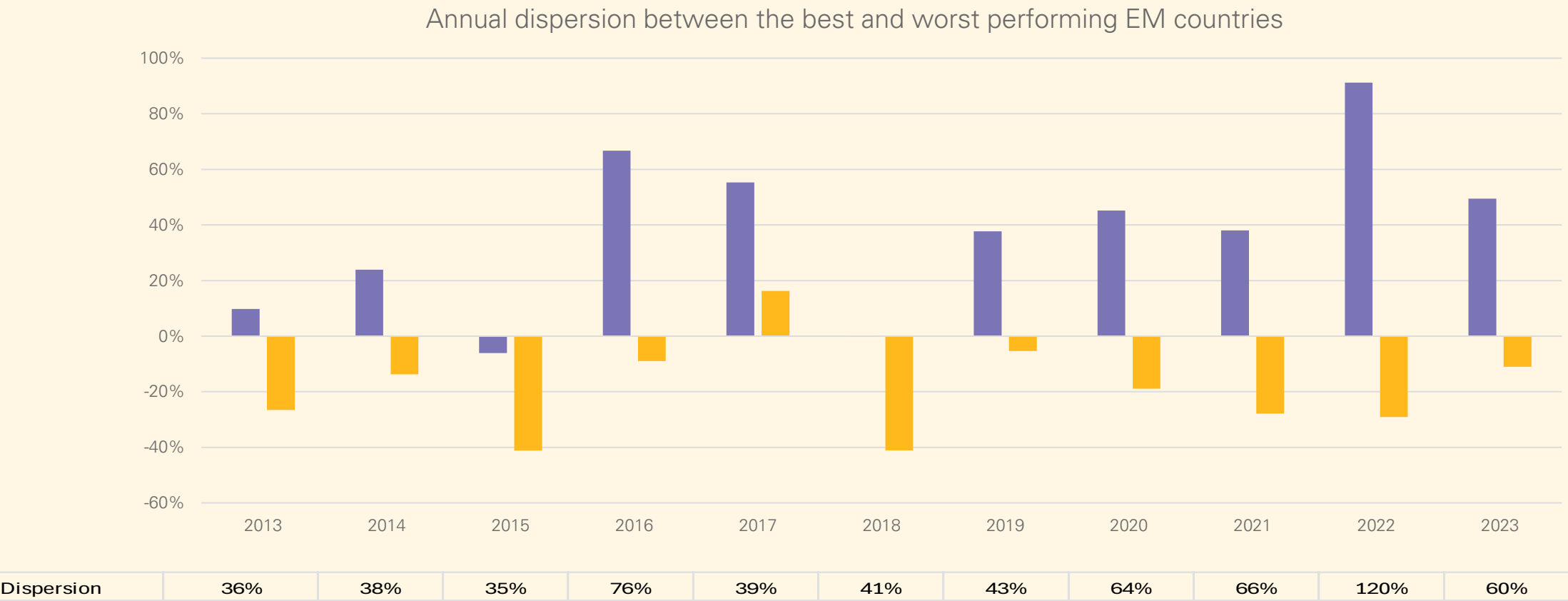
Risk of mid/small-cap bias



Mindful of benchmark risks

The active opportunity in emerging markets

This chart shows the calendar year performance of the **best** and **worst** performing countries in the emerging market index each year over the last 10 years and the difference between them. The average dispersion per year is 50%!



How we think about emerging market equities



Alpha target of 2% - 3%



Macro awareness



Value trap avoidance



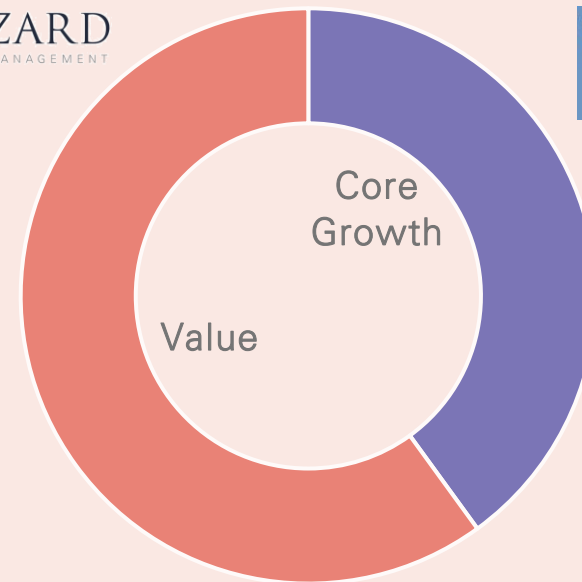
Acknowledgement of EM giants



Managing China exposure

M&G MPS EM equity portfolio

LAZARD
ASSET MANAGEMENT



The benefits of an active allocation to emerging market bonds



Concentration risk: 5 largest countries make up 50% of the index

Market inefficiencies: mispricing of different bonds in EM

Changing market conditions: active management can adapt to changing macro conditions

Active asset allocation: flexibility to invest across US-denominated government bonds, local currency government bonds and corporate bonds

Country exposure: frontier markets offer opportunity to outperform

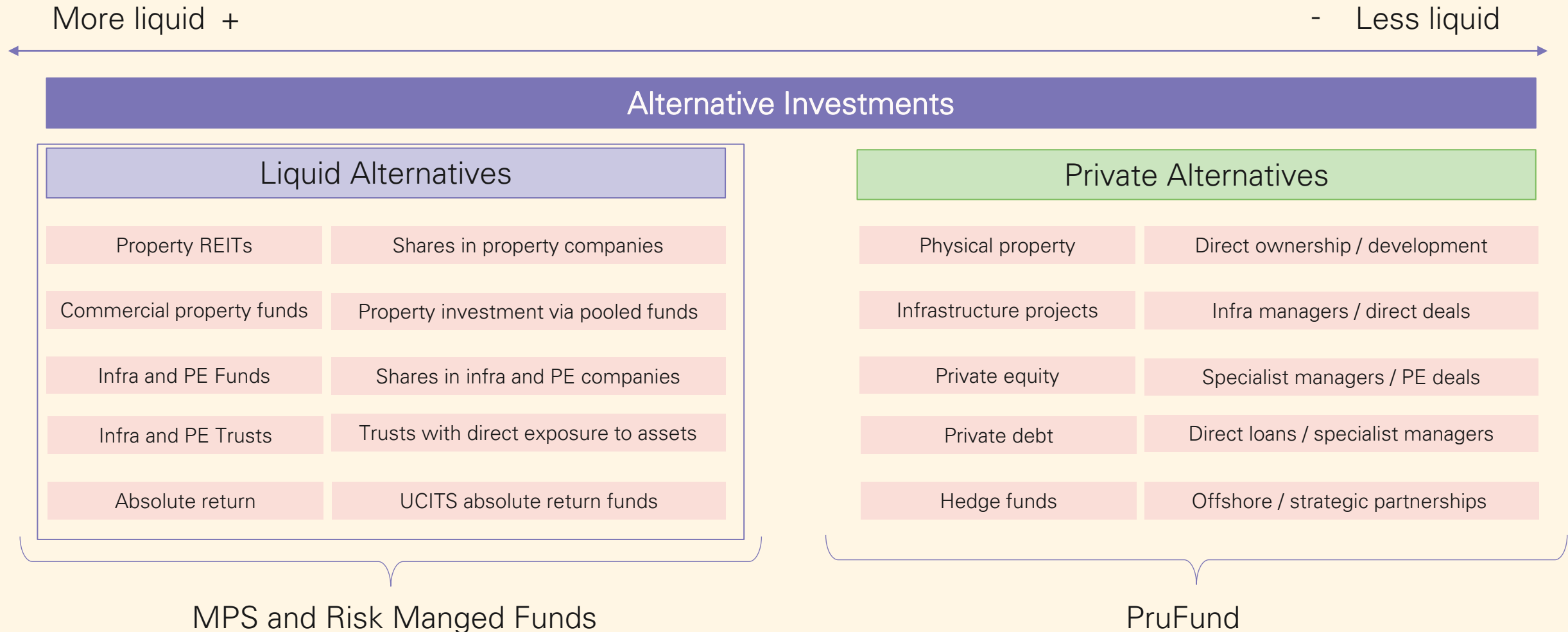
In summary – why we use Active and Passive strategies

The benefits of Passive investing	The benefits of Active investing
○ Simple to implement	○ The opportunity for outperformance
○ Limited risk of underperformance	○ Managing investment risk
○ Cheaper fund costs	○ Investment Flexibility
○ Quicker due diligence	○ Access to more asset-classes

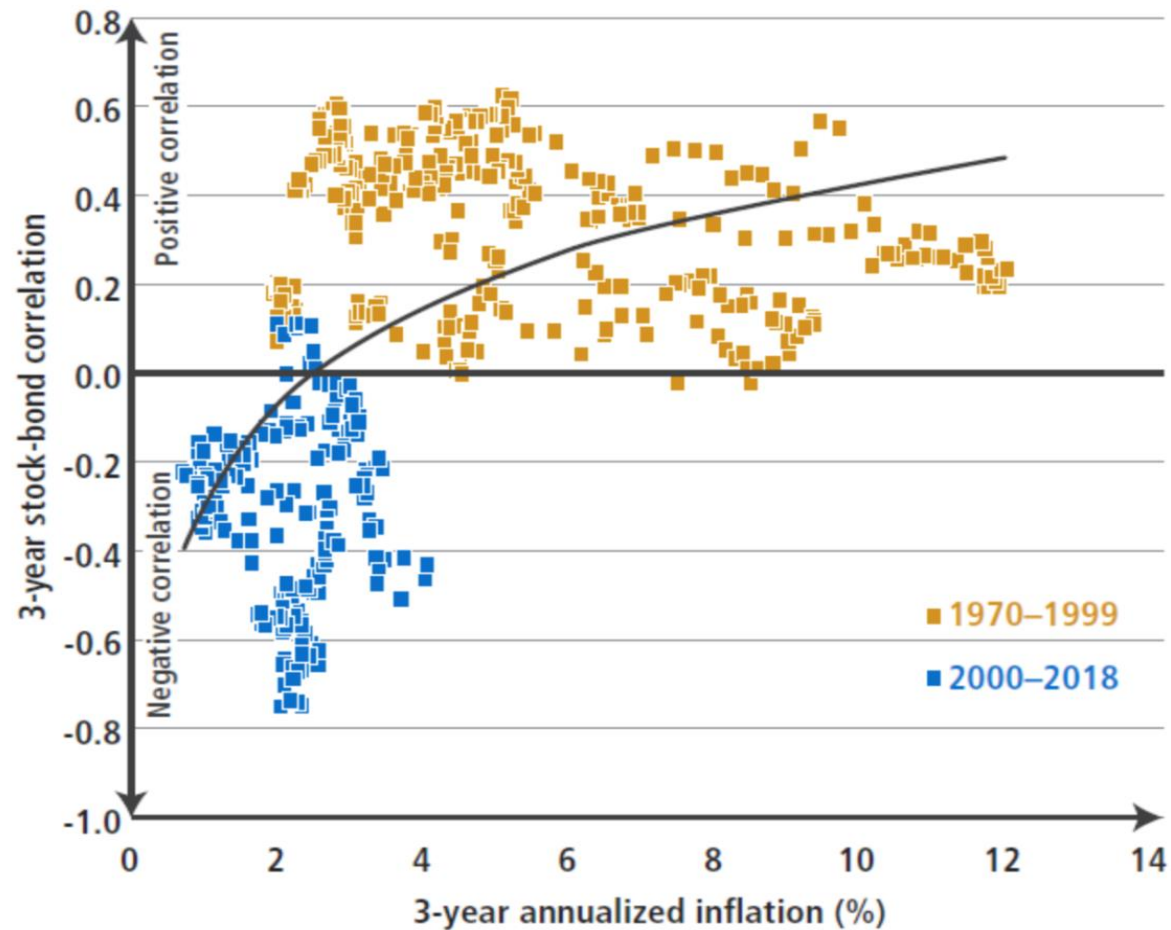
Adding value with Alternatives

The background features a series of parallel diagonal lines on the left side, transitioning into a series of overlapping geometric shapes on the right. These shapes include a large yellow triangle, a smaller olive green triangle, a red triangle, and a dark brown triangle, all arranged in a way that suggests a sense of depth and movement.

What are Alternatives?



Diversification and inflation: Looking beyond equities and bonds



Source: PIMCO, Haver Analytics and Federal Reserve Bank of New York as of 31 May 2018. Stocks represented by S&P 500, bonds represented by 10-year U.S. Treasuries, inflation represented by Consumer Price Index, All Items (CPI-U).

- Inflation has influenced the role of bonds in diversifying equity returns over time.
- The ability of central banks to sustainably bring inflation back to the 2% target has large implications for multi-asset portfolio construction
- Investors may need to look to other asset classes to provide effective diversification in a higher inflation environment.

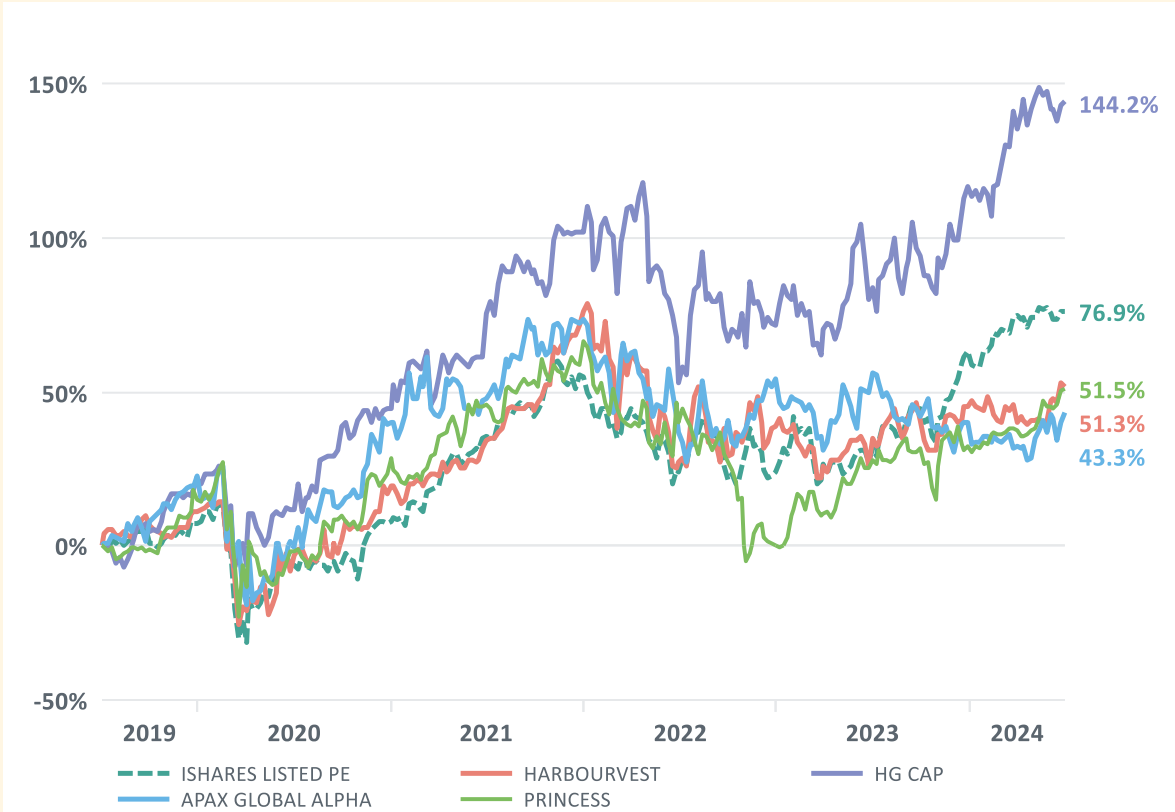
Equities, bonds and alternatives – 3-year returns



Source: LSEG DataStream, M&G Wealth Investments, 30/06/24.
MSCI ACWI, Bloomberg Global Aggregate Index, FTSE EPRA NAREIT Index, IA UK Direct Property index, FTSE Global Infrastructure index, S&P Listed Private Equity index.

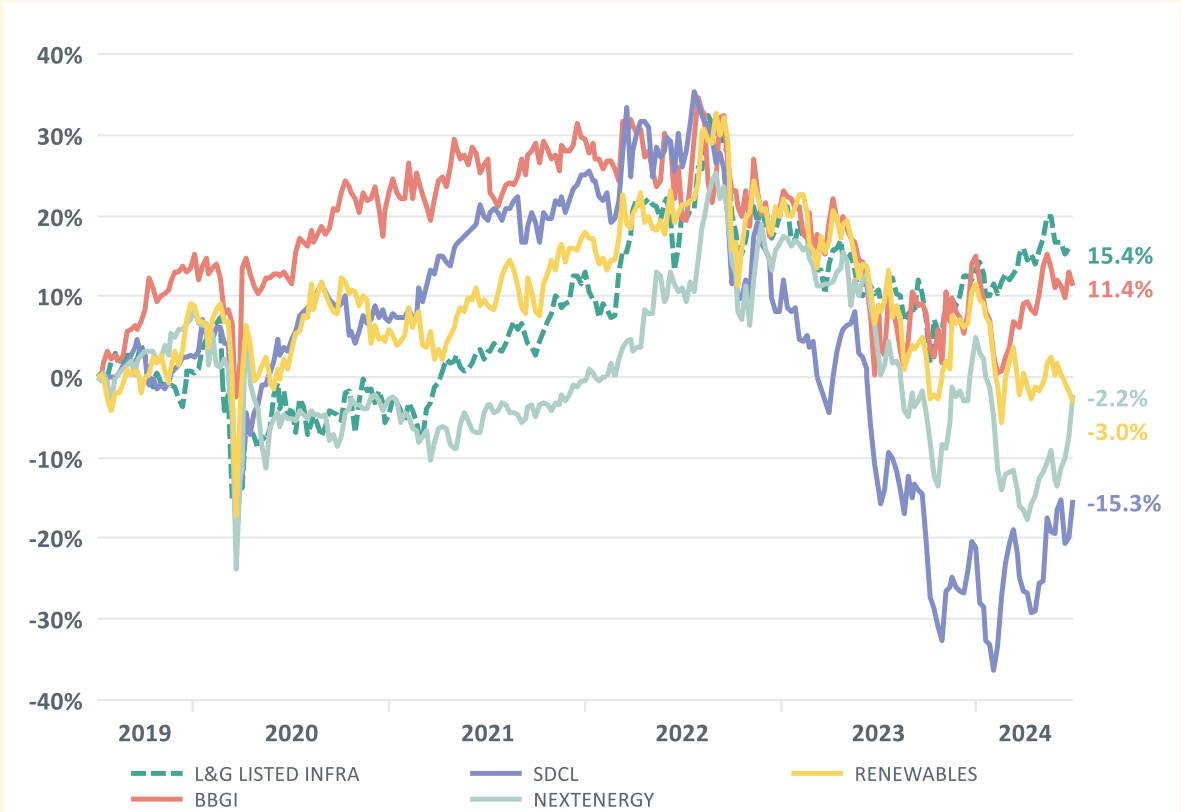
Investment trusts – 5-year returns

Private Equity



Source: LSEG Datastream & MAPM (M&G Investment Office) 08/07/2024

Infrastructure



Source: LSEG Datastream & MAPM (M&G Investment Office) 08/07/2024

Infrastructure for the future



Renewable energy



Transportation of the future



Urbanisation



Universal connectivity



Water and waste management



Healthcare infrastructure



Social and demographic shifts

Did you know: compared to a traditional CPU at 150W the NVIDIA GPU uses 700W of power.

Did you know: since the US Inflation Reduction Act \$120bn of new investment was made in clean energy manufacturing. And it takes around 50kWh of electricity to manufacture a simple battery unit.

Investment Solutions

PruFund Range

from Prudential

Choice of 16 multi-asset funds:

- PruFund Growth
 - PruFund Cautious
 - Risk Managed PruFunds
 - PruFund Planet
-

Cautious to medium risk investors.

Those looking for a smoother journey from their investment.

Close to retirement / in decumulation.

Available on the M&G Wealth Platform and through packaged retirement and investment products (both onshore and offshore).

Risk-Managed Range

from Prudential

Choice of two ranges:

- Risk Managed Active Range
 - Risk Managed Passive Range
-

Accumulation and decumulation.

A lower cost solution actively managed.

Use as either stand alone or as part of a portfolio.

Available on platforms, and through packaged retirement and investment products.

Model Portfolio Service

From M&G Wealth Investments

Three portfolio ranges:

- Passive
 - Hybrid
 - Global ESG Themes
-

Complete solution for those advisers looking to outsource their investment proposition.

For both accumulation and decumulation.

Blend with existing CIP to help achieve more diversification and lower volatility.

Available on platforms.

Thanks for your time

Get in touch with your usual contact if you need further help.





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